

Commission on State Debt Meeting Minutes
Seattle, Washington
September 9, 2011
8:45 am

The Commission on State Debt met after notice duly given to the public.

Present:

James McIntire, State Treasurer, Chair
Rep. Hans Dunshee, State Representative
Sen. Derek Kilmer, State Senator
Dr. Kathleen A. Ross, snjm, President Emerita, Heritage University, Toppenish
Kriss Sjoblom, Vice President–Research and Economist, Washington Research Council
Ruta Fanning, Former Legislative Auditor and Director, Joint Legislative Audit & Review Committee
Tim Kerr, Former Deputy State Treasurer for Debt Management
Sen. Linda Evans Parlette, State Senator (by phone)
Jim Shoemake, Independent Appointed by the Treasurer (by phone)
Rep. Judy Warnick, State Representative

Also Present:

Jenny Porree, Montague DeRose and Associates
Eric Lohnes, Freedom Foundation
Edward Redmond, WA State Senate
Becca Kenna-Schenk, WA State Senate
Stan Bowman, American Institute of Architects WA Council
Nick Federici, WA Low Income Housing Alliance
Violet Boyer, Independent Colleges of WA
Lorrie Brown, Office of Financial Management
Jerry Long, WA State House of Representatives
Debra Gurtler, WA State House of Representatives
Elisse Larouche, Montague DeRose and Associates
Wolf Opitz, Office of the State Treasurer
Dan Mason, Office of the State Treasurer
Chris McGann, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Nona Snell, Office of the State Treasurer
Brian Sims, Washington State Senate
Susan Howson, Washington State House of Representatives
Rob Wassmer, California State University Sacramento
Ron Fisher, Michigan State University

Chair McIntire called the meeting to order at 8:45 am on September 9, 2011.

Members of the commission and staff introduced themselves. Chair McIntire welcomed everyone to the commission and provided an outline of the commission's work. Brian Sims, staff to the Senate Ways and Means Committee summarized the history of SSB 5181 which created the commission on state debt. Mr. Sims explained the intent of the legislation and reviewed existing debt limits and debt policies.

Dr. Kathleen Ross requested clarification as to the specific role of the commission in the legislation. Mr. Sims explained that the commission has little guidance in its ability to make recommendations to the legislature.

Chair McIntire requested that the legislators on the commission provide their interpretation of SSB 5181.

Senator Parlette explained that her original intent was to reduce the statutory debt limit down from 9% to 7 % and that SSB 5181 further developed into a constitutional debt limit. Senator Parlette explained the legislative history of the bill and how it eventually created the commission to study the issue of state debt and make a recommendation to the legislature.

Senator Kilmer emphasized his focus on the pro-cyclical nature of capital spending and whether there is a smarter way to fund projects using a counter-cyclical model.

Representative Dunshee stated that his intention was to direct the focus to not only the debt but the physical facilities that were paid for by the debt. He also stated that he believes it is inconsequential to compare Washington to other states. Representative Dunshee was also focused finding the most effective way of financing projects.

Representative Warnick stated that her focus is on the debt level per capita and looking to other states to see how they compare to Washington.

Senator Parlette expressed the value in the commission to help educate the public on the relationship between the state's capital budget and operating budget in how paying debt service reduces opportunity to invest in programs.

Chair McIntire emphasized that the purpose of the commission was not to address the technicalities of capital budgeting but rather to answer policy questions about managing debt. Mr. McIntire then requested that staff continue to provide an overview of state debt.

Nona Snell, staff to the Office of the State Treasurer, explained the different types of bonds issued by the state.

Representative Dunshee interjected that he hoped the commission would spend more time in the future examining the value of 63-20 bonds. Senator Kilmer agreed.

Ms. Snell outlined all of the state's debt obligations including certificates of participation, pensions, the GET program and transportation projects.

Mr. Sims reviewed how the debt limit is determined and how it has been impacted by historic economic fluctuation.

Susan Howson, staff to the House of Representatives, provided a summary of changes to the calculation of general state revenue as well as an analysis and history of the state's capital budget.

Chair McIntire proposed that the commission consider capital planning as a component of debt management.

The commission took a 10 minute break.

Chair McIntire introduced Robert Wassmer and Ron Fisher.

Ron Fisher and Rob Wassmer presented his research on the comparison of state and local government debt including the history of Washington's debt compared to other states. Mr. Fisher concluded that by any measure, public debt in Washington State ranks high among other states in total debt burden but pointed out that much of this status is the result of local government debt rather than state debt. Mr. Fisher asked for feedback to provide he and Mr. Wassmer with direction for their future presentation.

Representative Dunshee requested more data related to the quality and quantity of capital projects. Mr. Wassmer agreed to include that in future materials.

Senator Parlette asked how the legislature can acquire information to make the most effective decisions related to debt service levels. Treasurer McIntire agreed and suggested the commission address this in a future meeting.

The commission broke for lunch.

Jenny Porree of Montague DeRose and Associates explained the credit rating process.

Treasurer McIntire proposed that the Commission plan for future discussions. Commission members made suggestions for additional policy subjects to cover in upcoming meetings.

Treasurer McIntire adjourned the meeting at 1:45 pm.